



Performance Audit

State Correctional Institution at Graterford

**Department of Corrections
Commonwealth of Pennsylvania**

January 2012

January 25, 2012

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

This report contains the results of a performance audit of the State Correctional Institution at Graterford of the Department of Corrections from July 1, 2006, to November 12, 2009, unless indicated otherwise. We conducted our audit under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report contains six audit objectives along with an audit scope and methodology for each objective. Where appropriate, the audit report contains findings, conclusions, and recommendations. The report noted that SCI Graterford's maintenance department did not utilize the work order system to its full potential, and did not accurately maintain automotive activity reports. Our audit also found that prior audit findings regarding the resident wage accounts at Community Correction Centers and documentation supporting advancement account transactions remained unresolved.

We discussed the contents of the report with management of the SCI Graterford, and all comments are reflected in the report.

Sincerely,

JACK WAGNER
Auditor General

**State Correctional Institution at Graterford
Department of Corrections**

**Table of
Contents**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Table of
Contents**

Background Information 1

Audit Objectives..... 4

Audit Results 6

Finding 1 – SCI Graterford responded appropriately to findings of non-compliance with standards revealed during its accreditation audit. 8

Finding 2 – SCI Graterford maintained documentation supporting its medical service contracted expenditures. 12

Finding 3 – SCI Graterford’s maintenance department did not utilize the work order system to its full potential. 14

Finding 4 – SCI Graterford did not maintain accurate automotive activity reports and supporting documents. 18

Finding 5 – SCI Graterford disbursed employee pay incentives correctly. 22

Finding 6 – SCI Graterford complied with hiring according to veterans preference guidelines..... 24

Status of Prior Audit 26

Prior Finding 1 – Department of Corrections’ operated Community Corrections Centers did not consistently reconcile resident accounts. (Unresolved) 26

Prior Finding 2 – SCI Graterford did not comply with Commonwealth policies and procedures regarding travel expense reimbursements. (Resolved) 28

Prior Finding 3 – SCI Graterford did not prepare and post monthly Inmate General Welfare Fund activity statements of the Inmate General Welfare Fund as required. (Resolved)..... 28

**State Correctional Institution at Graterford
Department of Corrections**

**Table of
Contents**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Prior Finding 4 – The SCI Graterford business office did not reconcile Inmate General Welfare Fund miscellaneous revenue collections with services provided. (Resolved).....	29
Prior Finding 6 – Advancement Account transactions were not processed in accordance with Commonwealth policies and procedures. (Unresolved)	30
Audit Report Distribution List	32

**State Correctional Institution at Graterford
Department of Corrections**

**Background
Information**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Background
Information**

*History, mission,
and operating
statistics*

Department of Corrections

The Pennsylvania General Assembly created the Bureau of Corrections under the authority of the Pennsylvania Department of Justice with the passage of Act 408 of July 29, 1953, P.L. 1428 Section I. In December 1980, responsibility moved from the Pennsylvania Department of Justice to the Office of the General Counsel under the Governor. On December 30, 1984, the Governor signed Act 245 of 1984,¹ elevating the Bureau of Corrections to cabinet level status as the Department of Corrections.

The mission of the Department of Corrections is as follows:

Our mission is to reduce criminal behavior by providing individualized treatment and education to offenders, resulting in successful community reintegration through accountability and positive change.²

The Department of Corrections is responsible for all adult offenders serving sentences of two years or more. As of January 11, 2012, it operated 26 correctional institutions, one motivational boot camp, one training academy, and 14 community pre-release centers throughout the Commonwealth of Pennsylvania. In addition to the 14 community pre-release centers, the Department of Corrections also had oversight for 39 contracted facilities, all part of the community corrections program.

State Correctional Institution at Graterford

The State Correctional Institution at Graterford, which we refer to as SCI Graterford in this report, opened in 1929 and is currently a close-security facility for adult male offenders. SCI Graterford also houses capital case inmates. SCI Graterford is located in Skippack Township, Montgomery County, approximately 35 miles northwest of Philadelphia.

SCI Graterford's physical plant encompasses 1,714 acres of land. Nine permanent cellblocks, two modular cell units, an infirmary, two restricted

¹ 71 P.S. § 310.1.

² http://www.portal.state.pa.us/portal/server.pt/community/departement_of_corrections/4604/our_mission/716263 accessed January 11, 2012.

**Background
Information**

**State Correctional Institution at Graterford
Department of Corrections**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

housing units, and a mental health unit provide housing for inmates within the institution's 62 acre walled complex. The administration building, warehouse, and outside service unit are located outside of the walled perimeter. The Department of Correction's Bureau of Correctional Industries also operates a garment and shoe plant within the institution utilizing inmate labor.

Community Correction Centers

Act 173 of 1968 established Community Correction Centers. The Act required the Bureau of Corrections at that time to establish, with the approval of the Governor, prisoner pre-release Community Correction Centers at locations throughout the Commonwealth. The Department's Bureau of Community Corrections operates the Community Correction Centers through regional offices located in Elkins Park, Philadelphia (Region I), Harrisburg (Region II), and Pittsburgh (Region III). The Department of Corrections operates 14 Community Correction Centers.

The Community Correction Centers are the Department of Corrections' instrument for providing initial support to inmates in their first steps back into the community.

Support services provided by the Community Correction Centers include individual and family counseling services, employment counseling, vocational and educational guidance, aid from public agencies, and participation in specialized programs dealing with drug or alcohol abuse, and a gradual reduction of custodial control as the inmate's acceptance of personal responsibilities increases. For technical support, the Department of Corrections assigned the Community Correction Centers to the correctional facilities within their general locale.

To be eligible for admission into a Community Correction Center, an inmate must have completed at least one-half of a minimum sentence but with no more than one year of the sentence remaining, must secure an institutional recommendation, and obtain approval from both the Department of Corrections and the sentencing judge. Persons serving life sentences are by law, ineligible to participate in this program. Additionally, the Department of Corrections developed an operating

**State Correctional Institution at Graterford
Department of Corrections**

**Background
Information**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

manual for the Community Correction Centers, and monitoring procedures for the regional offices.

The following schedule presents unaudited SCI Graterford operating statistics compiled by the Department of Corrections for the fiscal years ended June 30, 2007, June 30, 2008, June 30, 2009, and June 30, 2010.

	Using rounding			
	2007	2008	2009	2010
Operating expenditures³				
State	\$ 97,463,714	\$112,279,985	\$112,228,192	\$118,017,485
Federal	<u>10,273</u>	<u>12,701</u>	<u>4,668</u>	<u>15,030</u>
Total expenditures	<u>\$ 97,473,987</u>	<u>\$112,292,686</u>	<u>\$112,232,860</u>	<u>\$118,032,515</u>
Inmate population at year-end	3,028	2,934	3,837	2,983
Inmate capacity at year-end	2,800	2,800	2,800	2,800
Percentage of capacity at year-end	108.1%	104.8%	137.0%	106.5%
Average monthly inmate population	2,952	2,933	3,376	3,502
Average cost per inmate per year ⁴	\$33,020	\$38,286	\$33,244	\$33,704

³ Operating expenses were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. In addition, regional level and indirect charges were not allocated to the totals reported here.

⁴ Average cost per inmate per year was calculated by dividing total operating expenses by the average monthly inmate population.

**State Correctional Institution at Graterford
Department of Corrections**

**Objectives,
Scope, and
Methodology**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Objectives,
Scope, and
Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our performance audit of SCI Graterford had six objectives described below. We selected our audit objectives from the following areas: accreditation, contract management, maintenance work orders, automotive fleet, employee pay incentives, and veterans preference. The specific audit objectives were as follows:

- One To determine if SCI Graterford received an accreditation from the Commission on Accreditation for Corrections, and responded to and implemented the recommendations made by the Commission and the American Correctional Association. (Finding 1)
- Two To determine if SCI Graterford monitored vendor compliance with the medical service contract. (Finding 2)
- Three To determine if SCI Graterford's processing of maintenance work orders complied with the requirements in the Department of Corrections' maintenance manual. (Finding 3)
- Four To determine if SCI Graterford complied with the vehicle use policies and procedures of the Commonwealth and the Department of Corrections and to assess the adequacy of SCI Graterford's management controls over its automotive fleet. (Finding 4)
- Five To determine the propriety of the use of employee pay incentives. (Finding 5)

**State Correctional Institution at Graterford
Department of Corrections**

**Objectives,
Scope, and
Methodology**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

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- Six To determine whether SCI Graterford hired veterans in accordance with the Commonwealth of Pennsylvania and the Department of Corrections policies. (Finding 6)

Unless indicated otherwise, the scope of the audit was from July 1, 2006, to November 12, 2009.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Commonwealth and the Department of Corrections. In the course of our audit work, we interviewed various facility management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analysis conducted for each audit objective.

We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit related to the Inmate General Welfare Fund activity statements and miscellaneous revenues; the resident wage accounts at the Community Correction Centers, reimbursed mileage for travel, and purchases made through the advancement account.

**State Correctional Institution at Graterford
Department of Corrections**

Audit Results

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Audit Results

In the pages that follow, we have organized our audit results into six sections, one for each objective. Each of the six sections is organized as follows:

- Statement of the objective
- Relevant laws, policies, and agreements
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit, and the methodologies used to gather sufficient evidence to meet the objective.
- Finding(s) and conclusion(s), if applicable
- Recommendations, where applicable
- Response by the State Correctional Institution at Graterford management, if applicable
- Our evaluation of the State Correctional Institution at Graterford management's response, if applicable

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Accreditation**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Audit Results
for
Objective
One**

The objective

Objective one for our performance audit was to determine if SCI Graterford received an accreditation from the Commission on Accreditation for Corrections, and responded to and implemented the recommendations made by the Commission and the American Correctional Association.

Accreditation

Relevant laws, policies, and agreements

The American Correctional Association and the Commission on Accreditation for Corrections are private, non-profit organizations that administer the only national accreditation program for all components of adult and juvenile corrections. The purpose of the association is to promote improvement in the management of correctional facilities through the administration of a voluntary accreditation program and the ongoing development and revision of relevant, useful standards.⁵

Although the accreditation process is a voluntary program, the Department of Corrections' has established procedures for pursuing compliance with nationally recognized standards for the operation and management of correctional facilities.

The Commonwealth contracts with the Commission on Accreditation for Corrections for an accreditation audit. The Commission on Accreditation for Corrections appoints an American Correctional Association committee that conducts a standards compliance audit and prepares a written visiting committee report to be submitted to the Commission on Accreditation for Corrections. The visiting committee report also includes comments from interviews conducted with inmates and staff, as well as a detailed explanation for all non-compliant and inapplicable standards.⁶

To receive accredited status the institution must be 100 percent compliant on mandatory standards and a minimum of 90 percent compliant on non-

⁵ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 1.1.2, "Accreditation Program and Annual Inspections," effective March 16, 2007.

⁶ www.aca.org, accessed August 22, 2008, verified December 20, 2011.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Accreditation**

Pennsylvania Department of the Auditor General

Jack Wagner, Auditor General

January 2012

mandatory standards. When the institution attains these benchmarks, it is awarded a three-year accreditation.

Scope and methodologies to meet our objective

To establish our understanding of the accreditation process, we reviewed the Department of Corrections' policy statements for accreditation,⁷ and interviewed the SCI Graterford coordinator with the Commission on Accreditation for Corrections to establish our understanding of SCI Graterford's implementation of the Department of Corrections' accreditation policies.

We obtained and reviewed the April 2007 American Correctional Association audit report for the most recent reaccreditation audit conducted. We also reviewed the final Commission on Accreditation for Corrections report.

Finally, we obtained and reviewed SCI Graterford's follow up correspondence, plan-of-action, waiver requests, and/or appeals in response to the American Correctional Association accreditation audit.

Finding 1

SCI Graterford responded appropriately to findings of non-compliance with standards revealed during its accreditation audit.

In August 2007, the American Correctional Association and the Commission on Accreditation for Corrections awarded a three-year accreditation to SCI Graterford as a result of the audit conducted in April 2007 by the American Correctional Association. According to the visiting committee report, SCI Graterford complied with 100 percent of the 61 applicable mandatory standards and 432, or 96.4 percent, of the 448 applicable non-mandatory standards.

⁷ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 1.1.2, "Accreditation Program and Annual Inspections," effective March 16, 2007.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Accreditation**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

In an effort to be 100 percent compliant in the non-mandatory standards, SCI Graterford submitted a written response to the Commission on Accreditation for Corrections. The Commission on Accreditation for Corrections responded to SCI Graterford granting a waiver for three non-mandatory standards, accepted a plan of action for 11 other non-mandatory standards, and granted discretionary compliance for the last two non-mandatory standards, thus making SCI Graterford 100 percent compliant in both mandatory and non-mandatory standards.

Based on our review and since the Commission on Accreditation for Corrections accepted the appeals and/or corrective actions taken by SCI Graterford, we concluded that SCI Graterford responded appropriately to findings of non-compliance with standards revealed in its standards accreditation audit.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Contracted
Services**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Audit Results
for
Objective
Two**

The objective

Objective two for our performance audit was to determine if SCI Graterford monitored vendor compliance with the medical service contract.

Relevant laws, policies, or agreements

*Contracted
Services*

Commonwealth institutions may contract for professional services such as the services of accountants, clergy, physicians, lawyers, dentists, and other professions that are not performed by Commonwealth employees.⁸ Institutions may also contract for other services with vendors under certain circumstances.

SCI Graterford contracts with various vendors to provide a variety of goods and services. Institution management is responsible for ensuring that adequate services are provided and expenditures are incurred according to contract specifications.

The Commonwealth has created a manual that contains the policies and procedures to be followed for procurement activities. The manual, known as the Field Procurement Handbook, also requires contract monitoring. The Field Procurement Handbook states as follows:

Monitoring and control are essential to ensure the contractor uses and manages its resources in a manner that will provide the agency exactly what it has contracted for in terms of quality, timeliness, and economy of cost.⁹

The Field Procurement Handbook also defines the person responsible for contract monitoring as follows:

⁸ 62 Pa.C.S.A § 518.

⁹ The Commonwealth of Pennsylvania, Governor's Office, Manual Number M215.3, "Field Procurement Handbook," Chapter 54 – Contract Person Responsibilities, (A) Contract Management. This manual undergoes continuous updates. http://www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304. verified November 28, 2011.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Contracted
Services**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

The contact person designated in the contract performs the key role in managing the contract and monitoring the contractor's performance.¹⁰

SCI Graterford management is responsible for effectively monitoring contracted services.

Scope and methodologies to meet our objective

To establish our understanding of the Commonwealth of Pennsylvania's policies for contracting, we reviewed the Commonwealth's Field Procurement Handbook.

We interviewed the SCI Graterford's medical services contract monitor and his administrative assistant, and the fiscal manager for the Department of Corrections' Bureau of Administration to determine the procedures for contract oversight and invoice approvals.

We obtained a list of all medical service contracted employees and reviewed timesheets, sign in/out sheets and hours recorded through SCI Graterford's electronic employee verification system for each employee for the months of November 2006, March 2007, October 2007, April 2008, December 2008, and February 2009 to ensure that employees worked the amount of hours that were being billed.

We also reviewed the services and charges recorded on the medical service provider's invoices and compared them with the applicable provisions contained in the contract.

¹⁰ The Commonwealth of Pennsylvania, Governor's Office Manual, Field Procurement Handbook Number M215.3, Part I, Chapter 54 – Contact Person Responsibilities, (B) Review of Reports. This manual undergoes continuous updates. http://www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304. Verified November 28, 2011.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Contracted
Services**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Finding 2

SCI Graterford maintained documentation supporting its medical service contracted expenditures.

Our audit of SCI Graterford's medical services contract and the related expenditures incurred revealed that SCI Graterford is sufficiently monitoring services rendered, and expenditures incurred for compliance with its contract. Based on our review of vendor invoices, we also concluded that all charges contained on the invoices were in accordance with the contract and supported by time records.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Maintenance
Work Orders**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Audit Results
for
Objective
Three**

The objective

Objective three for our performance audit was to determine if SCI Graterford’s processing of maintenance work orders complied with the requirements in the Department of Corrections’ maintenance manual

Relevant laws, policies, or agreements

*Maintenance Work
Orders*

The maintenance department at SCI Graterford consists of 26 trade shops, and is responsible for providing both routine and preventive maintenance throughout the facility. The maintenance work order system is operated through the maintenance management system, which began on November 30, 2005. This system, in accordance with Department of Corrections’ policy,¹¹ enables each department head to electronically submit work orders to the maintenance department. Once received, the maintenance department is able to review, evaluate, approve, prioritize, and assign the task to the proper department or shop.

Regarding completion of each work order, the Department of Corrections policy states as follows:

It is the responsibility of each maintenance staff member to provide information listing time and materials used. As work order assignments are completed, the work order is to be signed and dated by the maintenance personnel completing the work and returned to his/her immediate supervisor. The supervisor shall inspect the work, and forward the work order to the Facility Maintenance Managers’ office for review and administrative tracking.¹²

¹¹ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.02.01, “Facility Maintenance Manual,” Section 12, “Maintenance Work Orders,” and Section 13, “Preventative Maintenance,” issued September 3, 2008.

¹² Ibid.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Contracted
Services**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Scope and methodologies to meet our objective

To establish our understanding of the Commonwealth of Pennsylvania's policies for facility maintenance, we reviewed the Department of Corrections' facility maintenance policies. To establish our understanding of the procedures involved in maintenance work order oversight and approvals, we interviewed SCI Graterford's facilities maintenance manager

We examined 72 work orders completed from July 1, 2006, through June 30, 2009, and also reviewed open work order listings for the period of July 1, 2006, through December 31, 2008.

Finding 3

SCI Graterford's maintenance department did not utilize the work order system to its full potential.

SCI Graterford failed to monitor and process work orders as stipulated by the Department of Corrections. Required information was not recorded in the maintenance management system. Information such as the date the work was completed, the number of hours needed to complete the project, and materials used was not consistently recorded on the work orders that we reviewed.

For the 72 maintenance work orders examined, 35, or almost 49 percent of the work orders, did not meet the Department of Corrections' data recording requirements. The missing information was as follows:

- Ten work orders did not document man-hours, materials used, or the cost of materials.
- Four work orders did not document completion dates, man-hours, materials used, or the cost of materials.
- Nineteen work orders did not document the man-hours.
- One work order did not document man-hours or the cost of materials.
- One work order did not document materials used or the cost of materials.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Maintenance
Work Orders**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

We also found that as of July 30, 2009, SCI Graterford had 1,609 open work orders. According to SCI Graterford management, this included work orders that had been completed but time constraints had prevented staff from entering the completed work order data into the maintenance management system to close out the work order.

Based on our understanding of the system and our review of the documentation, we found that the SCI Graterford maintenance department did not utilize the work order system to its full potential. Therefore, SCI Graterford was unable to realize the benefits of the work order system, such as providing management with the ability to evaluate the timeliness of the completed work and to evaluate the overall efficiency of its maintenance staff. SCI Graterford was also unable to measure whether its use of resources was cost-effective.

**Recommendations
for Finding 3**

1. SCI Graterford management should ensure that the number of man-hours, the materials used to complete the project and the date the work is completed is recorded on the work order system.
2. SCI Graterford management should regularly monitor open work orders to ensure that the work order status reflects current information necessary for an effective decision support system.

Comments from SCI Graterford management:

Management agrees with the findings.

The work order system had not been utilized to its full potential at SCI Graterford.

Work orders should be logged with correct information, relating to hours worked, materials needed, and dates. This information provides a database for regular time and overtime calculation, commodity information for budgeting, and opportunity for training and cross training as needed. At the time of the audit, Graterford was phasing in various aspects of the system. At the current time, all work orders are being completed with the information recommended by this audit. The

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Contracted
Services**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

supervisor is inspecting the work upon completion and forwarding the work order to the office of the Facility Maintenance Manager.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Automotive Fleet**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Audit Results
for
Objective
Four**

The objective

Objective four for our performance audit was to determine if SCI Graterford complied with the vehicle use policies and procedures of the Commonwealth and the Department of Corrections, and to assess the adequacy of SCI Graterford's management controls over its automotive fleet.

Automotive Fleet

Relevant laws, policies, or agreements

SCI Graterford owns/leases and operates 78 licensed motor vehicles, used for maintenance, security, and business travel. The automotive fleet consists of five pool vehicles and 73 vehicles assigned to various departments. The SCI Graterford maintenance department is responsible for the maintenance and repair of all 78 vehicles in the fleet, while the clerk for the deputy of facility management is responsible for the scheduling and assignment of the institution's five pool vehicles.

The Department of Corrections established a policy regarding vehicle use, maintenance, and reporting.¹³ The Department of Corrections' policy states as follows:

An STD-554, Monthly Automotive Activity Report shall be maintained for each vehicle. Information maintained on this form includes daily driver, mileage, travel locations, gas, oil, and maintenance. At the end of each month, this form shall be turned over to the facility's Automotive Officer. At the end of each month, the facility Automotive Officer shall complete a summary report to be forwarded to the Central Office Automotive Officer by the 10th of the following month.¹⁴

¹³ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1 "Fiscal Administration Procedures Manual," Section 8, Vehicles, sub-section C, General Operational Procedures, dated March 28, 2007.

¹⁴ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1 "Fiscal Administration Procedures Manual," Section 8, Vehicles, sub-section C, General Operational Procedures, 1 Facility and Central Office vehicles, f and g, dated March 28, 2007.

**State Correctional Institution at Graterford
Department of Corrections****Audit Results:
Automotive Fleet**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

In addition, the Governor issued an executive order establishing the Commonwealth “Automotive Fleet Efficiency Initiative.”¹⁵ The initiative states as follows:

Agencies will monitor, at regular intervals, vehicle assignments and utilization patterns, fuel card activity and reimbursements made to employees for miles traveled in personal vehicles to ensure that Commonwealth resources are being deployed in the most cost-effective manner.¹⁶

Scope and methodologies to meet our objective

To determine whether SCI Graterford complied with the vehicle policies and procedures of the Commonwealth and the Department of Corrections, we reviewed the Governor’s executive order and the Department of Corrections’ automotive policy.

We interviewed the facility maintenance manager who was assigned responsibility for maintaining the automotive fleet.

We obtained and analyzed monthly automotive activity reports for the months of March, April, May, and June of 2009 for 14 selected vehicles. We also compared current odometer readings to the mileage recorded on the monthly automotive activity reports to assess accuracy and completeness.

Finding 4**SCI Graterford did not maintain accurate automotive activity reports and supporting documents.**

Automotive activity reports were not regularly completed to reflect the usage of the vehicle, which included the driver of the vehicle, beginning and ending odometer readings, location of where the vehicle was driven, and gas usage. As a result, management did not have the information

¹⁵ Commonwealth of Pennsylvania, Governor’s Office, Executive Order No. 2007-03, Commonwealth Automotive Fleet Efficiency Initiative, dated May 9, 2007.

¹⁶ Commonwealth of Pennsylvania, Governor’s Office, Executive Order No. 2007-03, Commonwealth Automotive Fleet Efficiency Initiative, Section 3.b.2, dated May 9, 2007.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Automotive Fleet**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

needed to effectively assess or monitor the efficiency and proper use of the institution's automotive pool.

Our review of 56 monthly automotive activity reports for the months of March, April, May, and June of 2009 for the 14 vehicles selected for testing showed that only 14 of the 56 reports, (25 percent) contained all of the required information. The deficiencies identified in those 42 reports were as follows:

- The starting mileage for the month did not match the prior month ending mileage.
- The starting mileage for the day did not match the prior day's ending mileage.
- Starting and ending mileages were not recorded.
- The drivers' names and the destinations were omitted from reports.
- Gas purchase information was not recorded.

In addition, the facility automotive officer did not complete and forward to the central office a monthly summary of all vehicles used.

Discussions with the management employee in charge of the automotive fleet revealed that he was unaware of the requirement to summarize vehicle usage and forward that information to the Department of Corrections' central office on a monthly basis.

We performed an additional test to determine if the actual odometer readings on the 14 vehicles selected for testing matched the ending mileage that was recorded on the vehicle's monthly automotive activity reports for July 2009. Seven vehicles did not have monthly automotive activity reports present to conduct the review and five vehicles' actual odometer readings were higher than that reported on the monthly automotive activity reports present in the vehicles. The variation in mileages ranged from a difference of 2 miles to 37 miles.

SCI Graterford management did not follow procedures to record and routinely summarize or analyze automotive operational data. As a result,

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Automotive Fleet**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

SCI Graterford management could not effectively assess or monitor the efficiency of its automotive operations.

**Recommendations
for Finding 4**

3. SCI Graterford management should instruct all users of vehicles to document all required information on the monthly automotive activity reports. A record of the use of a vehicle should be maintained for each time a vehicle is utilized during a day. These measures will aid Graterford in ensuring the proper use of vehicles.
4. Management should analyze automotive cost and usage data and review the monthly automotive activity reports for completeness and accuracy.
5. A summary of the use of institution vehicles should be completed and forwarded to the Department of Corrections' central office automotive officer.

Comments from SCI Graterford management:

Management agrees with the findings.

SCI Graterford has implemented a process to ensure that all pertinent vehicle information required by policy is listed on the monthly automotive activity reports. Graterford has put into practice a procedure where all staff who will be utilizing state vehicles are trained and aware of all pertinent policies, including the recording of information for official business purposes. This information will be maintained for each shift that the vehicle is used during a day.

Graterford also has put into place a procedure whereby monthly usage is analyzed for accuracy, and to ensure that vehicles are only used for official business purposes. All reporting of vehicle information will be submitted to Central Office on a monthly basis.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Employee Pay
Incentives**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Audit Results
for
Objective
Five**

The objective

Objective five for our performance audit was to determine the propriety of the use of employee pay incentives.

Relevant laws, policies, or agreements

*Employee Pay
Incentives*

The Commonwealth of Pennsylvania has established a number of incentive programs to help recruit and retain certain positions that are deemed critical. In addition, certain employees are entitled to a bonus based upon contractual agreements. Examples of some of the incentive programs and pay incentives are:

- “Physicians and Related Occupations Quality Assurance Program” – provides monetary incentives designed to attract, retain, and reward the medical and dental professional.¹⁷
- “Physicians and Related Occupations Specialty Board Certification Payments” – additional compensation for physicians who are certified by one or more specialty boards.¹⁸
- Nursing certification – additional compensation for employees who have attained agreed-upon nursing certifications.¹⁹
- Signing bonus – a contractual agreement to pay permanent full-time employees in active pay status on July 1, 2007, a one-time lump sum cash payment of \$1,250, or \$625 for permanent part-time employees.²⁰

¹⁷ Management Directive 525.16, “Physicians and Related Occupations Quality Assurance Program,” dated February 14, 2006;

Agreement between the Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, effective July 1, 2005, through June 30, 2009.

¹⁸ Management Directive 535.2, “Physicians and Related Occupations Specialty Board Certification Payments,” dated February 21, 2006.

¹⁹ Agreements between the Commonwealth of Pennsylvania and District 1199P, Service Employees International Union, AFL-CIO, CLC, effective July 1, 2003, to June 30, 2007, and July 1, 2007, through June 30, 2011.

²⁰ Master Agreement between the Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees, AFL-CIO, effective July 1, 2007, to June 30, 2011;

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Employee Pay
Incentives**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

-
- In addition, the Department of Corrections authorized lump sum payments to its management positions to coincide with the bonuses paid to its union employees.²¹

Scope and methodologies to meet our objective

We reviewed applicable Commonwealth of Pennsylvania directives, memos, and labor agreements for established bonus amounts. To establish our understanding of the Commonwealth of Pennsylvania’s policies for employee pay incentives, we interviewed a Department of Corrections’ human resource analyst.

We also reviewed certifications on file at SCI Graterford for physicians and nurses who received payments. We reconciled all employee bonus payments to applicable Commonwealth of Pennsylvania policies and labor agreements.

Finally we reviewed the physician leave records to ensure the accuracy of the quality assurance bonus payment calculations.

Finding 5

SCI Graterford disbursed employee pay incentives correctly.

For the fiscal years ended June 30, 2007 and June 30, 2008, SCI Graterford expended \$29,247 and \$456,606, respectively, for pay

Collective Bargaining Agreement for Educational and Cultural Employees between the Commonwealth of Pennsylvania and the Federation of State Cultural and Educational Professionals Local 2382 American Federation of Teachers Pennsylvania AFL-CIO, effective July 1, 2007, through June 30, 2011;
Agreement between the Commonwealth of Pennsylvania and the Service Employees International Union, District 1199P, CTW, CLC, 8, effective July 1, 2007, through June 30, 2011;
Agreement between the Commonwealth of Pennsylvania and the Correctional Institution Vocational Education Association, Pennsylvania State Education Association, National Education Association, effective July 1, 2007, to June 30, 2011.

²¹ Memo from the Governor’s Office of Administration, “Compensation and Health Care for All Employees on the Corrections Management Pay Scale,” dated June 5, 2007;
Department of Corrections Executive Board Resolution #CN-07-024, dated January 30, 2007;
Department of Corrections Executive Board Resolution # CN-07-137, dated June 4, 2007.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Employee Pay
Incentives**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

incentives to employees. The following chart illustrates the breakdown of payments by general ledger fund:

	Fiscal year ended June 30,	
	2007	2008
Medical	\$27,555	\$ 82,856
General	1,692	363,400
Education	<u>0</u>	<u>10,350</u>
Total awards and bonuses paid	<u>\$29,247</u>	<u>\$456,606</u>

All awards were made in accordance with the respective management directives. Pay incentives paid to union employees were made in accordance with applicable contractual agreements.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Veterans Hiring
Preference**

Pennsylvania Department of the Auditor General

Jack Wagner, Auditor General

January 2012

**Audit Results
for
Objective
Six**

The objective

Objective six for our performance audit was to determine whether SCI Graterford hired veterans in accordance with Commonwealth of Pennsylvania and the Department of Corrections policies.

Relevant laws, policies, or agreements

*Veterans Hiring
Preference*

Applicants who pass civil service examinations required for appointment to positions covered by the Commonwealth merit system receive additional benefits in recognition of their military service. These benefits commonly are referred to as veterans preference.²² Veterans, who pass civil service appointment tests, receive an additional ten points on their final score. Applicants entitled to veterans preference who are among the top three available candidates have mandatory preference in appointment over non-veterans. Finally, applicants entitled to veterans preference may be given preference for selection regardless of their rank on the list.²³

Scope and methodologies to meet our objective

To obtain an understanding of hiring procedures at SCI Graterford, we reviewed applicable policies regarding veterans preference in hiring, and we interviewed a Department of Corrections human resource analyst.

We also reviewed the records for 42 new employees hired during the period from July 1, 2006, to June 30, 2009.

Finding 6

SCI Graterford complied with hiring according to veterans preference guidelines.

The records we reviewed confirmed that SCI Graterford employees were hired in compliance with the Commonwealth's veterans preference

²² www.spsc.state.pa.us/spsc/lib/spsc/pamphlets/veteranspreference022008.pdf, viewed June 29, 2009, revised to <http://www.portal.state.pa.us/portal/server.pt?open=512&objID=18095&mode=2&PageID=617135> "Veterans' Preference in State Civil Service Employment," February 2011, viewed December 20, 2011.

²³ Management Directive 580.21, "Veterans' Preference on Classified Service Employment Lists," dated May 5, 2008.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results:
Veterans Hiring
Preference**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

guidelines. Hiring records for the employees were reviewed and support documents were on file to confirm that each employee hired was the first available candidate with the highest civil service score on the civil service listing used. The lists used for 40 of the 42 employees reviewed were the lists made available that contain all individuals, both veteran and non-veteran, available for the job position. The remaining two employees were hired from civil service lists that contained only veterans that were available for the job position. Veterans preference was applied and veterans who were among the top three available candidates were given the required mandatory preference in appointment over non-veterans.

**State Correctional Institution at Graterford
Department of Corrections**

**Status of
Prior Audit**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Status of
Prior Audit**

Our prior audit report of SCI Graterford covered the period of July 1, 2004, to February 9, 2007, and contained nine findings. Four of the findings (Findings 5, 7, 8, and 9) were positive and thus had no recommendations. The status of the remaining findings (Findings 1, 2, 3, 4, and 6) and their accompanying recommendations is presented below.

Scope and methodologies for our work

To determine the status of the implementation of the recommendations made during the prior audit, we reviewed the Department of Corrections' written response dated December 10, 2007, replying to the Auditor General's report for the period of July 1, 2004, to February 9, 2007. We also held discussions with appropriate institution personnel, and performed tests as part of, or in conjunction with, the current audit.

Prior Finding 1 Department of Corrections' operated Community Corrections Centers did not consistently reconcile resident accounts. (Unresolved)

Our prior audit report found that the Philadelphia Community Corrections Centers No. 2 and No. 3 were not consistently reconciling the resident wage accounts, check registers, and bank statements. In addition, these centers failed to forward weekly rent collections to the Department of Corrections' former Bureau of Fiscal Management, and now Division of Fiscal Management as required. The failure to reconcile resident wage accounts at these centers was noted in the four previous audits.

We recommended that the Department of Corrections' Bureau of Community Corrections ensure that Community Corrections Centers perform monthly reconciliations of the check register, bank statement, and resident wage accounts. They should also identify and correct any discrepancies. Finally, all rent amounts due should be forwarded to the Department of Corrections' Division of Fiscal Management on a weekly basis as required by policy.

**State Correctional Institution at Graterford
Department of Corrections**

**Status of
Prior Audit**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Status as of this audit. Based on our review of resident wage accounts, the Philadelphia Community Correction Centers No. 2 and No. 3 still did not reconcile the transactions or balance of the resident wage accounts to the monthly bank statements. Therefore, the accuracy of the wage account balances continues to be in question.

**Recommendation
for Prior Finding
1**

6. We again recommend that the Department of Corrections' Bureau of Community Corrections should ensure that Community Corrections Centers perform monthly reconciliations of the resident wage accounts to the bank statements, and identify and correct any discrepancies.

Comments from SCI Graterford management:

Management agrees with the findings.

SCI Graterford will work along with Community Corrections Regional offices and develop procedures to ensure that all inmate accounts are reconciled monthly.

**State Correctional Institution at Graterford
Department of Corrections**

**Status of
Prior Audit**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Prior Finding 2 SCI Graterford did not comply with Commonwealth policies and procedures regarding travel expense reimbursements. (Resolved)

Our prior audit reported that SCI Graterford employees did not submit accurate reimbursement requests for miles driven in personal vehicles while performing their official duties. In addition, their immediate supervisors did not discover those errors during the review and approval process. As a result, SCI Graterford reimbursed three employees \$1,253 for 2,898 extra miles.

We recommended that management instruct all employees on the travel policy regarding reimbursement of mileage, and that management ensure that all reviewing supervisors are properly trained on how to review travel reimbursement requests.

Status as of this audit. Our current audit found that employees submitted and supervisors approved accurate reimbursement requests for miles driven in personal vehicles while performing their official duties. Therefore, SCI Graterford has implemented the prior year recommendations, and the finding is resolved.

Prior Finding 3 SCI Graterford did not prepare and post monthly Inmate General Welfare Fund activity statements of the Inmate General Welfare Fund as required. (Resolved)

Our prior audit reported that SCI Graterford did not prepare and post monthly Inmate General Welfare Fund activity statements in the inmate housing units as required by the Department of Corrections. The business office only prepared statements quarterly and a tour of three of SCI Graterford's 16 inmate housing units revealed that those statements were not posted on any inmate bulletin boards. We recommended that management prepare and post the monthly activity reports on inmate bulletin boards.

**State Correctional Institution at Graterford
Department of Corrections**

**Status of
Prior Audit**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Status as of this audit. Our current audit found that Inmate General Welfare Fund activity statements were prepared monthly and were posted in the inmate housing units. As a result of these actions, the issue has been resolved.

Prior Finding 4 The SCI Graterford business office did not reconcile Inmate General Welfare Fund miscellaneous revenue collections with services provided. (Resolved)

Our prior audit reported that attempts to reconcile business office Inmate General Welfare Fund receipts with shop receipts were unsuccessful because the various shops were not required to retain receipts after services were provided. In addition, our reconciliation effort identified a shop receipt that did not have a corresponding business office receipt or evidence of a corresponding deposit.

We recommended that SCI Graterford forward receipts to the business office when the services had been provided. A reconciliation should then be performed by business office staff who are independent of collecting money and issuing receipts.

Status as of this audit. Our current audit found that SCI Graterford required the individual shops to forward a copy of the receipt to the business office after the service had been rendered. We also found that a staff member, who is independent of collecting money and issuing receipts, conducted a review to ensure that there was a record of the receipt being issued for the service and that the money was deposited. Therefore, SCI Graterford has implemented the prior year recommendations, and the finding is resolved.

**State Correctional Institution at Graterford
Department of Corrections**

**Status of
Prior Audit**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

Prior Finding 6 Advancement Account transactions were not processed in accordance with Commonwealth policies and procedures. (Unresolved)

Our prior audit reported that advancement account transactions did not have prior approval for payment and did not have documentation to support the receipt of the goods. We recommended that management ensure that all payments made through the advancement account are properly approved and in compliance with Commonwealth policy.²⁴

Status as of this audit. Our current audit found that advancement account transactions were still not approved, and the transactions did not include support documentation. We tested 42 of the 1,759 advancement account checks that were processed during the period of July 1, 2007, through April 30, 2009, and noted deficiencies with 22 of the 42 transactions, or over 52 percent of the transactions tested. Sixteen transactions did not have an approved invoice, 2 transactions did not have the approved purchase request documents, 2 transactions did not have an approved invoice or receiving document, and 2 transactions did not have gasoline receipts available to confirm purchases. The lack of approved invoices, purchase requests, receiving documents, or receipts increased the risk that inappropriate payment for goods and services could be made.

Management stated that although some invoices were not signed and some were missing documents, all transactions were reviewed for propriety before being processed for payment.

²⁴ Governor's Office Management Directive M310.1, "Agency Operated Advancement Accounts," amended August 11, 1999;
Governor's Office Management Directive 615.7, "Repairs, Maintenance, and Payment for Services;" issued October 12, 2005;
Department of Corrections' Policy 3.1.1, "Fiscal Administration," Section 1, "Accounts Payable," issued January 20, 2009.

**State Correctional Institution at Graterford
Department of Corrections**

**Status of
Prior Audit**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Recommendation
for Prior Finding
6**

7. We again recommend that SCI Graterford management ensure that all payments made through the advancement account are properly approved and documented in compliance with Commonwealth and Department of Corrections' policies and procedures.

Comments from SCI Graterford management:

Management agrees with the findings.

All Advancement Account transactions, checks for payment, will be approved by the Business Manager. There is a definite delineation of duties, the checks will be cut by the accounting assistant, verified by the budget analyst, and approved by the Business Manager. These checks will be verified for date, vendor, amount, and justification. All transactions will have a purchase order, approved invoice or receiving document as back up information that the transaction was correct and appropriate for payment.

**State Correctional Institution at Graterford
Department of Corrections**

*Audit Report
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*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2012*

**Audit Report
Distribution
List**

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